REBUTTAL TESTIMONY OF

DANIEL F. KASSIS, P.E.

ON BEHALF OF

DOMINION ENERGY SOUTH CAROLINA, INC.

DOCKET NO. 2019-393-E

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Daniel ("Danny") F. Kassis. My business address is 2392 West Aviation Avenue, North Charleston, South Carolina 29406. I am the Vice President of Customer Relations and Renewables for Dominion Energy South Carolina, Inc.'s ("DESC").

Q. ARE YOU THE SAME DANNY KASSIS THAT OFFERED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to discuss the response of DESC to certain issues raised in the direct testimony of Mr. Ronald DiFelice filed on behalf of the South Carolina South Carolina Solar Business Alliance, Inc. ("SCSBA").

My rebuttal testimony sequentially addresses certain issues raised by Mr. DiFelice as they appear in his direct testimony. However, as an initial point, it is important to emphasize a theme that runs throughout my testimony—the storage tariff provided in this docket (the "Tariff") is DESC's "standard offer" for battery storage facilities. It provides stated, fixed rates available to storage facilities that meet the parameters outlined in the Tariff. The Tariff is not the only avenue by which a generator can incorporate storage on the DESC system. Rather, it is one option that DESC was required to provide pursuant to the Settlement Agreement between DESC and the SCSBA (the "Settlement"). DESC will negotiate in good-faith with developers that wish to incorporate storage outside of the Tariff. However, the standard-offer nature of the Tariff means that it will necessarily be inappropriate for certain projects, but DESC believes the Tariff provides reasonable terms and conditions—along with "accurate pricing"—for the range of storage facilities that fall within the parameters of the Tariff.

Q. ARE YOU PROVIDING ANY EXHIBITS WITH YOUR REBUTTAL TESTIMONY?

A. Yes. I am providing a revised storage tariff as Exhibit No. __ (DFK-1) and a comparison highlighting changes against the as-filed Tariff as Exhibit No. __ (DFK-2). I am also providing the Settlement for ease of reference as Exhibit No. __ (DFK-3).

Q. ON PAGE 4, LINE 13 THROUGH LINE 17, MR. DIFELICE ACKNOWLEDGES THAT THE TARIFF SATISFIES DESC'S CORRESPONDING OBLIGATION UNDER THE SETTLEMENT. HOWEVER, MR. DIFELICE GOES ON TO STATE THAT THE TARIFF WILL NOT BE "USED." DOES THE SETTLEMENT REQUIRE A PRESCRIBED LEVEL OF "USE?"

A. No. However, I first want to note Mr. DiFelice's acknowledgement that the Tariff satisfies DESC's obligations under the Settlement. This is an important fact to keep in mind because DESC's obligation to file the Tariff arose solely from the Settlement—which was negotiated by and between DESC and the SCSBA—and any changes to the Tariff should be viewed against the obligations in the Settlement.

However, despite these facts, Mr. DiFelice goes on to distance the Tariff from the Settlement's express language in order to create another standard by which the Tariff should be judged, stating that it must be "commercially reasonable." Then, he goes on to create another, higher standard by claiming that it must able to be "used," suggesting a prescribed level of usage regardless of market signals and accuracy that would help the solar industry at the expense of DESC's customers. Neither of these concepts are in the Settlement the SCSBA negotiated and executed with DESC.

Indeed, Section 3(A)(ii) on pages 5 and 6 of the Settlement only requires DESC to "file for Commission approval proposed technology-neutral avoided cost rates for energy and capacity that provide accurate pricing for dispatchable renewable generating facilities such as solar + storage (e.g., hourly pricing)." (emphasis added). DESC has done just that.

As described in greater detail by DESC Witness Bell, the Tariff's rates were carefully developed by DESC to accurately reflect the value of such resources to the DESC system. DESC must provide "accurate pricing" under the Settlement, not economically accretive pricing. Furthermore, whether eligible storage facilities (each, a "Storage QF") will "use" the Tariff is impacted by many factors outside of DESC's control, such as the cost of storage resources, the availability of financing, and overall market conditions. The Settlement does not require DESC to "subsidize"—whether by favorable terms and conditions or attractive pricing—Storage QFs at the expense of DESC's customers in order to achieve a target level of storage on the DESC system. In short, as discussed in greater detail by DESC Witness Bell, the rates in the Tariff, when combined with the other terms and conditions therein, provide "accurate pricing" in light of the value provided to the DESC system, which—as noted by Mr. DiFelice—fully complies with DESC's obligation under the Settlement.

Q. ON PAGE 5, LINE 5 THROUGH LINE 9, MR. DIFELICE NOTES THAT DESC INTENDS THE TARIFF TO BE AVAILABLE TO BOTH SOLAR FACILITIES WITH AN INTEGRATED BATTERY STORAGE UNIT ("DC-COUPLED") AND "STORAGE AS A SEPARATE RESOURCE" ("AC-COUPLED"). DOES THIS ACCURATELY REFLECT DESC'S INTENTION?

A. Yes, DESC intends for the Tariff to apply to DC-Coupled and AC-Coupled Storage QFs. Exhibit No. __ (DFK-2) highlights the revisions made in the first paragraph of the Tariff to clarify this point.

Q. ON PAGE 5, LINE 18 THROUGH LINE 21, MR. DIFELICE ARGUES THAT, FOR PURPOSES OF CALCULATING THE GENERATING CAPACITY OF THE STORAGE QF, THE INTERCONNECTION SERVICE CAPACITY STUDIED BY DESC SHOULD BE THE INTERCONNECTION SERVICE CAPACITY APPLIED AND NOT THE AGGREGATE NAMEPLATE CAPACITY OF THE GENERATOR AND STORAGE QF. DOES THIS POSITION COMPLY WITH THE REQUIREMENTS OF THE FEDERAL ENERGY REGULATORY COMMISSION ("FERC")?

A. No. DESC reflects FERC's "one mile rule" in the second paragraph of the Tariff. *See* Exhibit No. __ (DFK-2). Presumably, Mr. DiFelice takes issue with this

provision of the Tariff and, in doing so, ignores the FERC's "one-mile rule" adopted as part of the FERC's rulemaking under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). Under PURPA's "mandatory purchase obligation," a public utility is generally required to purchase all of the output of qualifying facilities (each, a "QF") with which it is interconnected at the utility's avoided cost rate. A facility is a QF if its capacity is less than or equal to 80 MW. That capacity includes the aggregated capacity of other small generation facilities that (i) use the same resource type, (ii) are owned by the same person or its affiliates, and (iii) are located at the same site.

The requirements are collectively referred to as the "one-mile" rule because the FERC's regulations specify that a facility "located within one mile of the facility for which [QF status] is sought"—as measured by the distance between the electric generating equipment of the facilities—is deemed to be "located at the same site." 18 CFR § 292.204(a)(2)(i). Regardless of whether the facilities are AC- or DC-coupled, under this rule, two facilities owned by affiliates that, together, exceed 80 MW would not qualify as separate QFs if they are located within one mile of each other.

As such, DESC was careful to reflect the FERC's mandatory requirement in the Tariff by inserting the following language in the "Availability" section:

> No QF shall be eligible for this schedule if the power production capacity of such QF, when combined with the power production

capacity of all other QFs (i) located within one mile, (ii) using the same generating resource, and (iii) under common ownership, would exceed 80 MW-AC.

Neither DESC nor the Public Service Commission of South Carolina (the "Commission") can ignore or eliminate this "anti-gaming" requirement.

Q. ON PAGE 6, LINE 2 THROUGH LINE 16, MR. DIFELICE DISCUSSES FERC ORDER NO. 845 TO SUPPORT HIS POSITION THAT THE INTERCONNECTION SERVICE LEVEL—NOT NAMEPLATE CAPACITY—SHOULD BE CONTROLLING FOR DC-COUPLED QFS. IS ORDER NO. 845 DETERMINATIVE ON THIS ISSUE?

A. No. Although I am not an attorney, I understand that Order No. 845 is inapplicable to the Tariff because Order No. 845 addresses FERC-jurisdictional interconnection service. The Tariff only applies to generating and storage facilities under PURPA—which are state-jurisdictional.

As I stated above, the one-mile rule is a PURPA-specific rule. It was developed to prevent QFs from utilizing PURPA's "mandatory purchase obligation" to game the system by siting multiple QFs within one mile of each other. Given that Order No. 845 applies only to FERC-jurisdictional interconnection service and does not alter, amend, or eliminate the one-mile rule in any way, it is inapplicable here.

Although Mr. DiFelice cherry-picked what he felt were provisions favorable to the SCSBA from Order No. 845, he failed to disclose that the FERC ultimately declined to consider changing the definitions of "large generating facilities" and "small generating facilities" in Order No. 845 so they would be based on the level of interconnection service. The FERC explained its decision to maintain the definitions, which are based on the facility's power production capacity, as follows: "Our particular concern is the possibility of unintended and unforeseen consequences with respect to the interconnection study process and NERC compliance registration process." *Reform of Generator Interconnection Procedures and Agreements*, Order No. 845, 163 FERC ¶ 61,043 at P 422 (2018). The NERC compliance registration is based on the facility's capacity, which is similar to the power production capacity upon which the one-mile rule is based. Thus, it is clear that the FERC was careful in Order No. 845 to avoid conflicts with other rules and requirements that are based on nameplate capacity.

Additionally, Mr. DiFelice fails to disclose that the FERC, in its recent PURPA Notice of Proposed Rulemaking, maintains the "one-mile rule" but seeks comment on a proposal to expand the rule to require QFs to identify affiliated facilities whose electrical generating equipment is greater than 1 mile and less than 10 miles from such QF. *See Qualifying Facility Rates and Requirements Implementation Issues Under the Public Utility Regulatory Policies Act of 1978*, 168 FERC ¶ 61,184 (2019). In reality, Mr. DiFelice requests that Commission

ignore the FERC's controlling one-mile rule at precisely the same time as FERC is considering expanding the rule

Finally, as described above, the Tariff is a standard offer for battery storage, and it contains stated, fixed rates for eligible storage facilities. In calculating the Tariff's rates, DESC accounted for the FERC's mandatory one-mile rule. Therefore, any deviation from the FERC's one-mile rule would necessitate a re-study of the Tariff to determine what "accurate pricing" would mean in a scenario in which the one-mile rule is inapplicable. In short, bypassing the FERC's mandatory one-mile rule is not only bad policy, but also impractical under the Tariff.

Q. ON PAGE 11, LINE 14 THROUGH LINE 17, MR. DIFELICE STATES THAT THE TARIFF "NEEDS TO ACKNOWLEDGE THAT DESC WILL UPDATE THE RATES FOR THE TARIFF WHEN IT ENTERS INTO PPAS WITH 100 MW OF STORAGE QFS." PLEASE ADDRESS THIS STATEMENT.

A. As I discussed above, Mr. DiFelice acknowledged that the Tariff fulfilled DESC's related obligation under the Settlement. To be clear, the Settlement requires DESC to file the Tariff "[d]uring the calendar year 2019." The Settlement—as agreed to by the SCSBA—does not require DESC to make (i) a filing in any subsequent year or (ii) the Tariff available to any specific amount of Storage QFs. Therefore, it is completely unclear upon what basis Mr. DiFelice

makes this statement. Regardless, any such commitment to provide a similar tariff to tranches beyond the first 100 MW must be made in the context of the (i) DESC system at that time—which will likely look substantially different—and (ii) established methodology set forth in the Avoided Cost Methodology. However, it is likely that rates provided, if any, to the next tranche of storage would be different than the rates in the Tariff because the marginal value to the DESC system of each additional storage facility will not be the same as the value reflected in the Tariff. Therefore, rates, terms, and conditions must be analyzed in the context of that marginal value.

Lastly, I must reiterate that the Tariff is simply DESC's standard offer for battery storage. DESC will negotiate in good faith with any developer wishing to incorporate battery storage outside of the Tariff, whether now or 100 MW from now—the Tariff is simply an item on the menu of options for those developers.

Q. ON PAGE 11, LINE 20 THROUGH LINE 22, TO PAGE 12, LINE 1 THROUGH LINE 4, MR. DIFELICE ARGUES THAT POWER FROM THE STORAGE QF SHOULD BE PERMITTED TO SATISFY CONTRACTUAL REQUIREMENTS OF THE ASSOCIATED GENERATING QF. PLEASE EXPLAIN WHY SUCH A PROPOSAL IS UNREASONABLE.

A. The provision to which Mr. DiFelice refers is the second provision under the Limiting Provisions in the Tariff. It is unreasonable to strike this provision given

the nature of the Tariff's stated, fixed rates. As discussed at length by DESC Witness Bell, these rates were developed by utilizing defined parameters within which the Storage QF must fit. To state it differently, for the stated, fixed rates to provide accurate pricing, as required by the Settlement, they must only be available to a stated, fixed class of Storage QFs. For example, the Storage QF Capacity Rate pays the facility owner a payment based on the size of the battery, which essentially "reserves" DESC's right to send dispatch signals to the Storage QF to discharge such capacity. If the entire capacity of the Storage QF is not available as assumed under the Tariff, then the facility owner is overcompensated.

Any generator experiencing performance issues may present DESC with a proposal to utilize storage to mitigate those issues. However, this proposal must be evaluated and rates will need to be developed outside of the Tariff.

Q. ON PAGE 13, LINE 2 THROUGH LINE 5, MR. DIFELICE SUGGESTS THAT "DESC, WITH THE COMMISSION'S APPROVAL, NEEDS TO ESTABLISH HOW QFS PROCEEDING UNDER THE [TARIFF] OR ADDING STORAGE UNDER A PURPA PPA WILL BE PRIORITIZED FOR PURCHASE PRICE ENHANCEMENTS RESULTING FROM STORAGE." IS THE TARIFF DESIGNED FOR SUCH A SITUATION?

A. No. Again, Mr. DiFelice seems to read-in requirements of the Settlement that simply are not there. As I stated above—pursuant to the actual language of the

Settlement—the Tariff provides accurate pricing for storage resources in the form of stated, fixed rates. These standard-offer rates provide for energy-shifting and capacity payments that were developed based on current avoided cost rates. To reiterate, any existing QF can present DESC with a proposal to add storage. However, an existing QF seeking to add storage must present DESC with such a proposal that DESC can study and model outside of the Tariff. As DESC Witness Bell also explains in his rebuttal testimony, all current PPA rates for new projects, per the Commission's order, have a capacity component. The basis of that capacity component varies from PPA to PPA. Also, the Tariff has a capacity rate applied to 100% of the discharge capacity of the Storage QF. These rates do not account for the compounding effect that arises from permitting existing PPAs to operate under the Tariff's stated, fixed rates. It will lead to double-counting some of the capacity value and exacerbate the higher, stale rates under existing PPAs—all to the detriment of DESC's customers.

Q. ON PAGE 13, LINE 5 THROUGH LINE 7, MR. DIFELICE SUGGESTS INTERCONNECTION PROCEDURES NEED TO BE MODIFIED TO FACILITATE STORAGE ADDITIONS. CAN YOU ADDRESS THIS STATEMENT?

A. It would be inappropriate to address this statement because it is outside the scope of this docket. This concern would be more appropriately addressed in the

interconnection docket that the Commission is required to establish pursuant to S.C. Act No. 62 of 2019.

Q. ARE THERE ANY OTHER CHANGES TO THE TARIFF, AS HIGHLIGHTED IN EXHIBIT NO. __ (DFK-2), THAT YOU WOULD LIKE TO EXPLAIN?

A. Yes. Other than the revisions to the Tariff highlighted in my testimony and by DESC Witness Bell and minor clarifications otherwise contained therein, the revised Tariff clarifies that (i) DESC will provide "operating protocols"—as requested by Mr. DiFelice—for the Storage QFs in the corresponding PPAs and (ii) the term for such storage PPAs will be set at 10 years, unless otherwise negotiated by the parties.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.